

Message Text

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ACTION EUR-12

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PASS AGRICULTURE ELECTRONICALLY

E.O. 11652: N/A

TAGS: EAGR, EEC

SUBJECT: RABOT ON MTN AND RELATED EC AGRICULTURAL MATTERS

REF: EC BRUSSELS 5223

1. SUMMARY: RABOT GAVE US HIS VIEWS ABOUT A POSSIBLE EXTENSION OF THE OCTOBER 31 PROTEIN DEPOSIT SYSTEM, THE EFFECT OF US/EC TRADE DISPUTES AND THE OUTLINE OF A POSSIBLE MTN GRAIN ARRANGEMENT. END SUMMARY.

2. GORDON FRASER, FAS ASSISTANT ADMINISTRATOR FOR INTERNATIONAL TRADE, CALLED ON EC DIRECTOR GENERAL FOR GRICULTURE RABOT SEPTEMBER 24. HE WAS ACCOMPANIED BY USEC ECON COUNSELOR AND AGATT. ALSO PRESENT AT THE MEETING WERE JACQUOT AND PIZZUTI. THE DISCUSSIONS CENTERED ON THE FOLLOWING TOPICS:

A. NFDI: RABOT SAID THAT EC HESITANCY WHETHER TO EXTEND THE OCTOBER 31 DEADLINE (FOR THE PROTEIN DEPOSIT SYSTEM)

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RISKS INJECTING A NOTE OF SPECULATION IN THE MARKET WHICH THE

COMMISSION WOULD LIKE TO AVOID. RABOT EXPECTS THE CUT-OFF DATE TO BE DISCUSSED ON SEPTEMBER 27 IN THE NETHERLANDS DURING THE INFORMAL, AD HOC SESSION OF THE EC MINAGS THAT TRADITIONALLY TAKES PLACE INITIALLY IN THE HOST COUNTRY OF THE NEW COUNCIL PRESIDENT. RABOT CONFIRMED THAT THE COMMISSION HAS ABANDONED ITS PROPOSED STOCKPILE OF VEGETABLE PROTEIN. MISSION OFFICER STATED THAT EXTENSION OF THE OCTOBER 31 DATE WOULD CERTAINLY CAUSE NEGATIVE REACTION IN THE UNITED STATES.

B. ARTICLE XXIII (2) NFDM PANEL: RABOT SAID THAT HE AND LARDINOIS HAD NOT EXPECTED THE UNITED STATES TO GO SO FAR AS TO REQUEST THIS PANEL BECAUSE OF THE RISK THAT THE INQUIRY COULD LEAD TO A FINDING OF "GUILTY." IN RABOT'S VIEW, THIS IS DIFFERENT FROM WHAT THEY HAD BEEN LED TO BELIEVE AT CAMP DAVID WOULD BE THE U.S. APPROACH TO GATT, NAMELY THAT THE UNITED STATES WOULD MAKE NOISES IN THE GATT BUT NOT GO SO FAR AS TO REQUEST A PANEL.

C. NFDM STOCKS: RABOT SAID THAT AS A RESULT OF THE DEPOSIT SCHEME 300,000 TONS OF NDM HAD NOW BEEN SOLD, BUT THAT STOCKS WERE STILL AT ABOUT 1.3 MILLION TONS. HE EXPECTED STOCKS TO DECLINE TO ABOUT 1 MILLION TONS BY THE END OF WINTER. THIS WOULD STILL BE FAR IN EXCESS OF THE 500,000-600,000 TONS THAT THE COMMISSION FEELS WOULD BE A REASONABLE CARRYOVER.

D. AGRICULTURE IN THE MTN'S: RABOT STRESSED, AND PIZZUTI AND JACQUOT NODDED IN STRONG AGREEMENT, THAT U.S. ACTIONS AND STATEMENTS ON A NUMBER OF AGRICULTURAL TRADE ISSUES ARE VERY LIKELY TO DIMINSH ANY POSSIBILITY OF AN INCREASE IN FLEXIBILITY IN THE EC'S MTN NEGOTIATING MANDATE. IN ENSUING DISCUSSION ON THIS POINT, HE SAID THAT THE ATTITUDE OF THE MINISTERS OF AGRICULTURE, NOT ONLY THE FRENCH, ON CHANGING THE EC'S NEGOTIATING MANDATE WOULD BE INFLUENCED BY U.S. ACTIONS AND PUBLIC STATEMENTS RELATIVE TO THE OUTSTANDING AGRICULTURAL ISSUES BETWEEN US. WE CONCLUDE HE HAD IN MIND THE OCTOBER 31 CUT-OFF DATE, THE ARTICLE XXIII (2) DAIRY PANEL, BARLEY AND WHEAT FLOUR EXPORT SUBSIDIES, AND THE MIP PANEL PROCEEDINGS.

E. INTERNATIONAL GRAIN AGREEMENT: WE REVIEWED THE SUGGESTIONS RABOT THREW OUT DURING HIS MEETING WITH ALLEN GRANT ON MAY 24 (REFTEL). RABOT EMPHASIZED THAT HIS VIEWS WERE ONLY PERSONAL BUT HE CONFIRMED THE POINTS WE REPORTED WITH ONCE CORRECTION. HE DID NOT, HE SAID, SUGGEST A POSSIBLE MAXIMUM ON THE EC INTERNAL SUPPORT PRICE FOR GRAINS AS PER PARAGRAPH 4. IN LIMITED OFFICIAL USE

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HIS VIEW, AN INCREASED U.S. SUPPORT PRICE COULD SERVE AS THE MINIMUM PRICE IN AN INTERNATIONAL AGREEMENT, BUT HE HAD NOT YET DEVELOPED ANY CONCEPT FOR A MAXIMUM PRICE. HE SAID THAT THIS WAS OPEN FOR DISCUSSION THOUGH JACQUOT SAID THE EC HAD MENTIONED IN GENEVA A POSSIBLE \$200 A TON MAXIMUM. IF SUCH A MINIMUM PRICE CONCEPT WERE INCORPORATED IN AN INTERNATIONAL AGREEMENT, THEN THE EC WOULD LIMIT ITS EXPORT SUBSIDIES, I.E., NOT UNDERSSELL THIS PRICE. RABOT SEEMS

TO BE THINKING ABOUT A GRAIN AGREEMENT THAT WOULD CONTAIN AN INNER AND AN OUTER PRICE FORK. THERE WOULD BE A WIDE OUTER FORK, WHICH WOULD AT BOTH THE UPPER AND LOWER LIMITS -MENTIONED ABOVE--TRIGGER SOME SORT OF (UNSPECIFIED) CRISIS MEASURES. A NARROWER

INNER FORK WOULD TRIGGER VARIOUS DEGREES OF STOCKING OR DESTOCKING. RABOT SAID HIS THINKING CONCERNING A STOCKING AND DESTOCKING MECHANISM IN SUCH AN AGREEMENT WAS LEANING NOW TOWARD SOMETHING MORE FLEXIBLE THAN THE COMMISSION HAD PREVIOUSLY PROPOSED. IN HIS VIEW, THE INNER FORK WOULD OPERATE SO THAT PRICES (AND POSSIBLE OTHER SIGNALS) WOULD CAUSE SOME EXECUTIVE BODY OR STEERING COMMITTEE TO CONSULT AND DECIDE WHETHER STOCKING AND DESTOCKING OUT TO TAKE PLACE. HE REPEATED HIS PREVIOUS IDEAS (REFTEL) ON A POSSIBLE LIMIT TO EC PRODUCTION AND IN FAVOR OF AN INTERNATIONALLY REGULATED SYSTEM OF NATIONALLY HELD RESERVES EITHER IN GOVERNMENT OR PRIVATE HANDS. WE DID NOT COMMENT THAT MANY OF THESE POINTS HAD ALREADY BEEN PROPOSED BY THE EC.

3. RABOT SAID HE STILL WOULD WELCOME A DISCUSSION WITH ALLEN GRANT IN THE UNITED STATES SOMETIME DURING THE WEEK OF THE OCTOBER 21-22 BILATERAL CONSULTATIONS, BUT HE HAS NOT YET FIRMED UP HIS SCHEDULE. HE HOPES TO FIX A DATE WITHIN THE NEXT WEEK TO 10 DAYS. (JACQUOT TOLD US PRIVATELY THAT DE LANGE HAD ALREADY BEEN ADVISED THAT THE MOST LIKELY DATE FOR A RABOT/GRANT MEETING WAS PROBABLY OCTOBER 20). HINTON

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